

## **The complaint**

Miss B complains that Monzo Bank Ltd (Monzo) acted unfairly in agreeing to lend to her as they didn't sufficiently check she could sustain the repayments.

## **What happened**

Around February 2023 Miss B entered into a Fixed Sum loan agreement with Monzo for £7,500. After interest and charges were applied Miss B was required to repay in total £10,346.29 over 58 months, with 57 monthly repayments of £180, and a final repayment of £86.29. Miss B said she struggled to sustain her repayments and complained to Monzo saying they'd relied on statistical data rather than checking her financial situation before they agreed to lend to her. And as she'd an account with Monzo they were aware of her actual income and expenditure.

Monzo said they'd checked the affordability of the loan using application, credit reference agency (CRA), account usage and modelled data to get an understanding of Miss B's income and expenditure. And based on this evidence they said their lending decision was fair as Miss B should have had sufficient disposable income to sustain her repayments.

Miss B wasn't happy with Monzo's response and referred her complaint to us.

Our investigator said they couldn't be sure the checks Monzo did were proportionate, so they considered Miss B's bank statements to see what further checks could have shown. After review, they said Miss B should have been able to sustain the repayments, so Monzo's lending decision was fair.

Miss B didn't agree and asked for an ombudsman to decide.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the same overall conclusion as the investigator, but for slightly differing reasons. Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

While I empathise with Miss B, for me to be able to say Monzo must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I appreciate my decision will disappoint Miss B, so I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Miss B's complaint. Monzo needed to

ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the Financial Conduct Authority's consumer credit sourcebook (CONC). I've considered these rules by asking the following questions:

1. Did Monzo complete reasonable and proportionate checks to satisfy themselves Miss B would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?
  - a) If they did, was their decision to lend to Miss B fair?
  - b) If they didn't, would appropriate checks have shown Miss B was unlikely to have been able to repay the borrowing in a sustainable way?
2. Did Monzo act unfairly or unreasonably in some other way?

CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out having obtained this, where appropriate, from the consumer and where necessary from a CRA. CONC says a lender needs to take reasonable steps to estimate a consumer's income and non-discretionary expenditure. And generally, shouldn't solely rely on the consumer's stated income but seek to validate this through an independent source such as a CRA or third party. CONC also allows for the use of statistical data in determining a consumer's non-discretionary expenditure. So, I've considered the checks Monzo did and what these showed.

Monzo said they used a combination of application, CRA and modelled statistical data, as well as Miss B's account usage to assess her credit worthiness. I can see Miss B stated she was in full time employment with an annual salary of £75,000, which through their checks Monzo considered to be £4,332 each month. Miss B declared her contribution towards her mortgage to be £500, and that she didn't have any dependents. The purpose of the loan was for home improvements.

Monzo cross checked this by using statistical data and Miss B's credit report to help them get a better understanding of her income and non-discretionary expenditure. They assessed her outgoings towards essential spending to be around £1,115.66, housing costs to be £856.80 and her credit report showed she'd credit commitments of £2,049.47 a month. This would have left Miss B with a disposable income of £310.07 before factoring in the new lending of £180. Monzo's CRA check also showed there wasn't any recent adverse information registered as to how Miss B was managing her active credit commitments, the last being some 62 months prior to the new lending. Based on this Monzo decided to lend to Miss B as she'd sufficient disposable income to sustain the repayments and there wasn't any evidence of financial vulnerability.

I wouldn't expect Monzo to do more in the circumstance's given the credit check result showed them Miss B's overall finances were managed well. Monzo verified her income and took into consideration her actual existing credit commitments, alongside using statistical and account usage data to gain a better understanding of her expenditure before making a lending decision. And there wasn't any evidence of financial vulnerability such as recent missed payments, arrears or defaults. So, I'm satisfied the checks Monzo did were reasonable and proportionate.

Monzo said they'd considered Miss B's account usage in their lending decision, so I've

looked to see whether there was any information already available to them that showed the account being run in a concerning manner. But I can't see that it was.

I say this as having reviewed Miss B's account usage from her Monzo bank statements for the three months prior to the new lending. I can see she'd a regular monthly salaried income (not including any other monies paid into the account) across the three months of £3,488. Miss B transferred large amounts to another account in her name, £1,800 in November 2022, £1,400 in December 2022 and £2,100 in January 2023, which she has shown was for "mortgage and bills". And I've no reason to doubt this is what Miss B would have told Monzo if they'd asked about these transfers.

Miss B at times used her overdraft but this wasn't persistent and fell within her agreed levels. I note Miss B's comments that all the spending from this account was essential, causing her to become overdrawn and to struggle financially. But I can't agree as I don't consider all of Miss B's spending was for non-discretionary outgoings as several transactions were for the home improvements Miss B has said she was doing, and there were other transactions that would also be considered discretionary. I haven't seen any evidence from Miss B's account usage that shows she was struggling financially as she'd a regular income from which she was meeting her non-discretionary commitments with no evidence of unpaid direct debits, missed payments or arrears.

So, having looked at the statements for the months leading up to the agreement being taken out, I've seen nothing in the way the account was maintained that ought to have raised concerns to Monzo that the lending would have been unsustainable.

Based on all the checks Monzo did I don't think that there was anything immediately obvious in the information that they had, including Miss B's existing credit, and her account usage which meant they shouldn't rely on it. So, I don't think Monzo needed to have asked Miss B to provide further evidence in support of her expenditure such as other bank statements before providing her with a loan in this instance. And based on these checks I'm satisfied they'd made a fair lending decision as having considered Miss B's income, her non-discretionary expenditure for her credit commitments including for her "mortgage and bills" she should have been able to sustain her repayments under the agreement. So, I can't say Monzo acted unfairly or unreasonably in agreeing to lend to her.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Miss B has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Monzo lent irresponsibly to Miss B or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 23 February 2026.

Anne Scarr  
**Ombudsman**